

Ameriquest Settlement Facts

- Ameriquest Mortgage Company is the largest privately held retail mortgage lender in America and the largest subprime lender by volume. The company is headquartered in Orange County, California and has over 270 branches in 46 states.
- Ameriquest has 26 locations licensed to do business in Washington State.
 - Ameriquest Mortgage Company: 17
 - Town & Country Credit Corporation: 1
 - AMC Mortgage Services, Inc. f/k/a Bedford Home Loans: 8
- Ameriquest is settling with 49 states and the District of Columbia (the company has never done business in Virginia) over allegations of unfair and deceptive lending practices. Ameriquest denies all allegations but has agreed to implement tough new standards to prevent the alleged practices from occurring in the future.
- Ameriquest will pay \$295 million to consumers in restitution. Each state's share depends on the value of loans held by that state's consumers.
- The states involved in the settlement case will also share \$30 million for attorneys' fees and costs involved in the investigation and settlement negotiations.
- The settlement impacts Ameriquest loans taken out between January 1999 and December 2005. In Washington, Ameriquest made 13,495 loans to residents totaling \$2,706,469,252. This is roughly 2.54% of the \$106 billion in loans made nationally during this time period.
- Washington's share of the settlement is approximately \$6.5 million. The exact number will not be known until a settlement administrator has been selected and began work on distributing these sums.
- The company will reimburse Washington State approximately \$2.5 million for investigative and legal costs. A significant portion of this money will be added to the restitution pool for Washington consumers harmed by Ameriquest's actions.
- Ameriquest will pay for a monitor and report on compliance with the settlement through December 31, 2010.
- Consumers do not need to do anything at this time. If they are eligible for restitution they will be notified by letter at a later date (likely 9-12 months from now) by the settlement administrator. We ask that consumers be patient because administration of a settlement of this size is a complex and time consuming task.
- Ameriquest will institute significant changes in its business practices and relations with consumers.

Allegations

The states alleged that Ameriquest:

- **Fraudulently inflated appraisals.**
Ameriquest account executives pressured appraisers to fraudulently inflate the market value of homes of potential borrowers in order to make loans, or make loans larger. Consumers were stuck with loan balances significantly higher than the true value of their homes, which ultimately blocked them from refinancing with other lenders or selling without taking a substantial loss.
- **Fabricated borrower income.**
Ameriquest falsified borrower income and employment records in order to qualify borrowers for larger loans than their actual income would support. Homeowners were allegedly told to use occupations that are difficult to trace, such as a housecleaner or interior designer, and to declare income from non-existent renters.
- **Misrepresented loan terms.**
Ameriquest misrepresented loan terms by promising borrowers the best, lowest interest rate for which they qualify, while providing salespeople with strong incentives to charge the highest possible rate.
- **Rushed closings and hid interest rates.**
Ameriquest rushed closings and hid interest terms until as late in the process as possible, forcing potential borrowers, to financially and emotionally commit themselves and make it difficult for them to back out once they discovered the high rates.
- **Used high-pressure sales tactics.**
Ameriquest used a highly skewed compensation system, accompanied by intense pressure by management to reach desired sales levels and monthly quotas – even to the extent of belittling loan officers who didn't measure up to expectations. This combination drove many loan officers to pressure and mislead consumers into accepting unfavorable loans that generated substantial commissions for loan officers and their managers.
- **Provided untimely funding.**
Ameriquest closed loans before it had completed appraisals. In some cases, despite the fact that homeowners have completed a closing, Ameriquest reneged on its obligation to fund the loan.
- **Provided disparaging disclosures.**
Laws require that homeowners receive both a Truth in Lending Act (TILA) disclosure featuring the annual percentage rate of the proposed loan and a Good Faith Estimate of the costs of the loan, as required by the Real Estate Settlement Procedures Act (RESPA). Ameriquest account executives regularly told homeowners that they should ignore the TILA/RESPA disclosures and that these disclosures were not representative of the actual loan terms they would receive, or would otherwise belittle the accuracy and relevance of the TILA/RESPA disclosures.

Significant Injunctive Provisions

Under the agreement, Ameriquest is required to:

- Provide full disclosure regarding interest rates, discount points, prepayment penalties, and other loan or refinancing terms. The agreement provides for both written and oral disclosures.
- Ensure that employees do not defeat the purpose of these disclosures by criticizing or playing down the accuracy or importance of the disclosures.
- Provide the same interest rates and discount points for similarly situated consumers.
- Ensure that every loan benefits not only Ameriquest and its commissioned employees, but also the borrower.
- Substantially revise its compensation system to eliminate incentives for employees to deceive borrowers. This new system may not provide incentives to include prepayment penalties or any other fees or charges in the mortgages.
- Retrain their employees to comply with the terms of the settlement agreement.
- Monitor their employees more closely to ensure they comply with the settlement agreement and do not otherwise break the law.
- Overhaul the company's appraisal practices by removing branch offices and sales personnel from the appraiser selection process, prohibiting them from pressuring appraisers for higher values and instituting a system of periodic review to ensure the independence of appraisers and the accuracy and integrity of the appraisals. Not encourage prospective borrowers to falsify income sources or income levels.
- Limit prepayment penalty periods on certain variable rate mortgages.
- Not solicit their borrowers to refinance during the first 24 months of their loan, unless the borrower initiates it.
- Use independent loan closers.
- Adopt policies to protect whistle-blowers and facilitate reporting of improper conduct.